Seduction fails to win smart card admirers

By Graeme Freedman

Smartcards have been hailed as the next great computing platform.

Mass marketeers are dreaming of managing each customer personally, bureaucrats are imagining the possibilities of mass control, and bankers are licking their lips thinking of new transaction charges.

The only thing they all forget is the good old consumers, who in spite of all attempts to make them fall in love with smartcards, have tenaciously managed to foil many attempts at seduction.

If learning from your mistakes is the best way to develop new markets, then the banks and payment systems operators have turned the school of hard knocks into a University.

You only need to look at the 1997/98 New York rollout of VisaCash and Mondex by Citibank and Chase Manhattan to see the issue. The banks decided to saturate a corner of New York with around 90,000 cards and 600 merchants who would accept them.

The result; low transaction volumes, merchant complaints with many withdrawing from the scheme, consumer confusion, and a new collectible souvenir that probably should have had a photo of the Ford Edsel on it.

The crazy thing is that there are many highly successful and ongoing smartcard implementations around the world, and plenty of good models demonstrating the things that will work with smartcards. There are scores of successful tertiary campus implementations and successful payphone schemes as well as masses of successful health and loyalty schemes. Yet we keep seeing large-scale electronic purse schemes being implemented by large players that result in limited success or failure.

The difference between success and failure is, of course, that the consumer and merchant must both have a clear, simple, value proposition that makes it sensible to use the card.

It is this that makes the large-scale electronic purse rollout so difficult; finding the "killer" consumer application that makes a generic business case possible may never happen. What has happened is that various closed scheme

operators around the world have found their own set of "killer" applications for their particular cardholder group, and these have resulted in compelling reasons for consumers to use and value their particular card.

Almost without exception the compelling business case has little or nothing to do with electronic cash, although e-cash may often be used to conclude the transaction.

The commentators pretty much all agree that we will see these closed schemes, with closed user groups, move ahead over the next few years, and gradually, as they become larger, they will merge into open schemes, forcing standards and interoperability to occur from commercial back pressure.

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